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SUBJECT: GRAPPLING WITH CORRUPTION -- HCMC SIDEWALKS

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¶1. (SBU) SUMMARY: From mobile noodle stands surrounded by brightly-colored plastic chairs to expansive motorbike parking lots in front of pricey restaurants, the sidewalks in Ho Chi Minh City (HCMC) are clogged with commerce. HCMC's skyrocketing land prices make sidewalks a hot commodity, creating opportunities for official rent seeking and corruption when officials consider business permit applications. Officials and media outlets fighting for transparency have seized on sidewalks as a politically acceptable issue to force public debate on sensitive issues of public goods use and corruption. They appear to be making progress. End summary.

HCMC's Entrepreneurial Sidewalks

¶2. (SBU) Virtually every square foot of many city sidewalks has been rented out in one way or another, often with the approval of district and ward-level governments in exchange for formal or informal payments. Ward-level governments regularly license sidewalk businesses, especially in the busy downtown districts where HCMC's property values can exceed New York's. Nguoi Lao Dong, the newspaper of the HCMC Labor Federation, recently published a series on sidewalk commerce in which they documented more than 500 motorcycle parking lots in District 1 alone that posed a danger to pedestrians by forcing people to walk in traffic-clogged streets.

¶3. (SBU) Businesses looking to use sidewalks for customer motorbikes say they pay "just a little bit more" than required when they settle their ward-level "security and national defense fund" fees (part of the official ward budget). Other businesses that "sublet" the sidewalk in front of their buildings report making informal payments to ward-level police. The practice is so widespread that many sidewalks are impassable.

Rent seeking, Organized Crime and Official Corruption

¶4. (SBU) The reasons behind this behavior are clearly monetary. Poor enforcement of Vietnam's Traffic Laws and lack of government accountability create opportunities for abuse. Some ward-level government agencies responsible for monitoring sidewalks even profit from business operations in front of their own buildings. District and ward-level governments collect questionable informal payments (to the national security fund) and formal taxes (on the income generated by sidewalk

operations) from businesses using sidewalks to park motorbikes.

¶5. (SBU) This might be the end of the story if this were just another administrative fee, but only a small portion of the proceedings from sidewalk commerce appears to be reaching the official budget. The rest goes to the pockets of businesses, ring leaders and officials who facilitate the licenses. According to the HCMC Taxation Department, District 1 alone has 250-300 licensed sidewalk parking lots, but almost all the district-level governments say they collect "unknown" or "insignificant" taxes from these businesses.

¶6. (SBU) Nguoi Lao Dong newspaper examined the connection between informal payments and organized crime, writing about a ring-leader well connected to senior district-level officials who would alert him ahead of potentially problematic inspections. Another boss boasted to the paper that he acquired licenses for many sidewalk businesses by wining and dining local officials (including People's Committees, Police Departments, Urban Order Management Committees, and Taxation Departments) and giving them envelopes of money every month.

Unexpected Champions for Transparency Step Up

¶7. (SBU) Raising the issue during a November municipal meeting, HCMC People's Committee Chairman Le Hoang Quan castigated district and ward-level officials for having rented out this public good and charged officials with cleaning up the sidewalks to improve city traffic. One member of the HCMC People's Council suggested that the Chairpersons of the district and ward-level People's Committees should be held accountable for ensuring that the sidewalks are cleared to serve pedestrians. Others proposed that since there is a real need for parking space in HCMC, local governments should conduct open bidding for sidewalk space. Still others wanted to authorize HCMC's Public Interest Service to regulate commercial activity on part of the city's sidewalks, reserving two-thirds of the sidewalk area for pedestrian use. While the specifics of the proposals varied,

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one common theme was establishing transparency in the management of this valuable public good.

¶8. (SBU) Since the reports and meetings began, local media outlets have kept a watchful eye on sidewalk commerce and some local government officials show signs of becoming more accountable and are clearing the sidewalks in their areas. After being stung by criticism that early crack-downs only targeted poor street vendors while ignoring large-scale abuses by expensive restaurants, the city changed its focus. The CG personally witnessed an enforcement raid in which a team of city workers and police confiscated scores of motorbikes parked in front of expensive restaurants. The same team ignored small street vendors in the neighborhood. As a result of press coverage and the resulting aggressive enforcement, a large number of downtown sidewalks have been cleared and more than 60 percent of District 1's sidewalk parking lot licenses have been revoked.

Comment:

¶9. (SBU) HCMC sidewalks are both a symbol of the city's booming free market and a visible reminder of the temptation for officials to abuse public goods in Vietnam. The good news is that some city officials are stepping up, driven in large part by local newspapers that seem increasingly willing to name names when it comes to official corruption. These papers have found a politically acceptable way to publicly point fingers at dirty officials by focusing on public safety for pedestrians. This story also demonstrates the extent to which technical assistance is needed to improve municipal administration since even honest officials are having difficulty balancing the competing needs of the city's 3.5 million motorbikes and those of pedestrians and shop owners. End comment.

¶10. (U) This cable was coordinated with Embassy Hanoi.
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